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CURRENT DEBATES

INTRODUCTION TO SPECIAL SECTION ON THE INFORMAL SECTOR

Lisa Bornstein

The informal sector – that of unregulated economic activities – has been the subject of much inquiry and debate among development practitioners and scholars. The discussion has encompassed issues of the sector's definition and boundaries, political and economic significance, and programmatic (or policy) implications. On none of these issues have researchers been able to agree. At the same time, the 'informal sector' concept has spread beyond its early use in development circles into various disciplinary areas of planning. Our concern in organizing this section was to re-examine the conceptual basis of the informal sector and its application throughout planning research and analysis.

The idea of an informal sector compels the imagination. It suggests that a segment, perhaps even a predominate portion, of a society's, an economy's, or a city's activities remain outside the boundaries of the known, the rationally ordered, and the comprehended. The gap between what was registered in government statistics and what was observed in the streets of Nairobi led to the International Labour Office (ILO) 1972 report on the informal sector. Similarly, in bringing public attention to otherwise hidden or ignored activities, research on street vendors, the underground economy, unpaid women's work, and self-built housing has fallen under the rubric of the informal sector. The dualism that arises from these informal/formal contrasts is both provocative and problematic. In reconsidering our presuppositions about the known and unknown, asking ourselves, for example, why women's work and self-employment are not counted in the same ways as men's work, wage labor, etc., we ask important questions, both about how our societies are organized and how we understand that organization. At the same time, the informal/formal dichotomy may, if used crudely, create an artificial distinction that masks relationships between activities that are regulated or recognized and those that are not, and between the state and civil society.

Each of the four articles included in this special section reconsiders these relationships – between the State and regulation, between regulated and unregulated activities – to move debate beyond simple dichotomies. In doing so, the authors provide a review, new research, and/or original thoughts on the so-called informal sector. Roberto Laserna's article differentiates among unregulated and underground economic activities, two types of activities generally lumped together under the informal sector label, and explores this distinction in a case study of Bolivian coca growing. Ayşe Pamuk addresses the relevance of this dualism in urban housing in Third World countries and, based on a review of literature and widely used indicators of informal housing, suggests that the distinction between formal and informal is blurred and may result in ineffective

policy intervention. Michael Leaf assesses the validity of the informal/formal sector distinction in the case of land markets, contending that while a continuum may better depict informal/formal relations in some cases, land markets tend to be either one or the other, the dualism is appropriate. Lisa Servon's article brings us back to the present and to the United States with a review of a microcredit program, the Chicago-based Women's Self-Employment Program. She shows how a U.S. program, modelled after one in Bangladesh, has resulted in innovative and successful lending to low-income women.

Central issues within the literature on the informal sector include the definition of the sector, linkages to the formal economy, and policy implications. The articles included in this section reflect these concerns. Clearly the lack of a common and rigorous definition of the informal sector is problematic. In the four articles included here, Laserna refines the definition of informal activities through comparisons of informality and illegality, Pamuk notes that the difference between informal and formal is ambiguous, Leaf provides his own definition of the informal sector, and Servon avoids all use of the term informal sector. Each of the authors also explores the policy implications of dominant characterizations of what is formal, legitimate, and recognized versus that which is not. Pamuk, in particular, critiques the informal sector concept as suffering from many of the same flaws as the now-debunked marginality concept; the informal sector concept, she argues, is static and misleading in the case of housing, and masks the monetary relationships – investment, commercialization, and consolidation – operative in informal housing settlements. Laserna focuses on how international political pressures are combining with local socio-economic transformations to create a situation in which the Bolivian legal system no longer corresponds to new social structures. Servon examines the ways in which the policies of government and traditional (bank) lenders may inhibit or promote recent attempts to provide credit to women's microenterprises. These are themes well within the traditional debates of the informal sector.

Some readers may be troubled by the lack of a rigorous definition and frustrated by the shifting terrain of the informal sector as discussed in these articles. A resolution to the debates over the definition and boundaries of the informal sector has not appeared despite, or perhaps because of, twenty years of research and discussion. My own perspective is that the debate on the informal sector has frequently foundered on overly taxonomic approaches. A resulting lack of attention to global and historical trends in the relationship between the State and civil society has meant that the details of informal sector research has overwhelmed analyses of the informal sector as a process. Moreover, in better describing the variety of activities at the fringe of the formal and legal economy, many researchers lost sight of the important links among these activities. Despite the growing attention to the connections between the legal and the illegal, the formal and the informal, the focus remained on groups of individuals or firms and neglected the processes at work.

Recent work on the informal sector has departed from the traditional concerns and many of the traditional pitfalls by incorporating broader geographical and more historical perspectives. Past research on the informal sector was confined to activities in Third World countries. Informal was frequently equated with the remnants of non-modern, non-Western social and economic organization. At best, research and writing focused attention on the ways in which "invisible" activities – such as street-hawking, women's unpaid labor, self-help

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housing – were important if not dominant parts of the local economy. Only recently, with economic downturns and the rise of more flexible production methods (entailing an expansion not only in the number of part-time, temporary, and self-employed workers but also in the number of unemployed), has the informal economy come to mean more than the black market in advanced industrial countries. The complete dominance of modern manufacturing and market mechanisms has now been questioned not only for Third World economies, but also for the First and Second World countries. Informalization of advanced industrial economies may be as important an object of study as the shifting boundaries between formality and informality in Third World countries.

Servon's article, in this respect, represents an important shift in focus to how the U.S. can learn from the experience of Third World countries and to how, in the U.S. and abroad, women and their small businesses encounter similar difficulties. Lasema's article examines the issue of historicity more closely. He argues that it is exactly in those moments when a legal system is in the process of (re)formulation, when it no longer corresponds to the realities of socio-economic relations, that activities are treated as informal (i.e., not recognized in regulations but largely tolerated by the society as a whole). These articles reflect a conceptualization of informality as a geographically and historically contextualized process.

The four articles in this section represent a small sample of recent work in the Department of City and Regional Planning (DCRP) at the University of California at Berkeley on the informal sector. In the Fall of 1988, doctoral students at DCRP formed a group to study the theme. Organized by Roberto Lasema, the group met weekly – often with guests from other universities – to discuss both existing literature and our own writings; three of the papers presented here are outcomes of that seminar. Two faculty members, Manuel Castells and Irene Tinker, have recently published books related to the informal sector,¹ and many of the students involved in the 1988 seminar have conducted further research, completed field exams, or written dissertations on the topic. For this reason, this special issue focuses on the so-called informal sector; as informalized activities begin to appear in advanced industrial countries and maintain their presence or expand in Third World countries, the issues addressed in these articles are of continued relevance.

NOTES

¹Alejandro Portes, Manuel Castells, and Lauren A. Benton, eds., *The Informal Economy: Studies in Advanced and Less Developed Countries*, Baltimore, Maryland: Johns Hopkins University Press, 1989; and Irene Tinker, ed., *Persistent Inequalities: Women and World Development*, New York: Oxford University Press, 1990.